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Legislative Audit Division

State of Montana

Report to the Legislature

September 1996

Limited Scope Review

Medicaid Partnership Plan

Transportation Services for Montana Medicaid Program

Department of Public Health & Human Services

This report discusses department procedures for assuring only reasonable and necessary travel costs are provided. Steps for strengthening this control system are also discussed.

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LIMITED SCOPE REVIEW

This limited scope study was a joint project performed by performance audit staff to look for cost savings opportunities in the state's Medicaid system. This review also utilized technical support from federal audit personnel made available through the Medicaid Partnership Plan.

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Members of the audit staff involved in this audit were Angie Grove and Jim Pellegrini.

Montana Legislative Branch

Legislative Audit Division
Scott A. Seacat, Legislative Auditor

September 1996

The Legislative Audit Committee
of the Montana State Legislature:

This is our limited scope review of Department of Public Health and Human Services transportation services provided under the Montana Medicaid program. The report identifies steps the department has taken to contain costs in this program and areas where additional steps could be taken to strengthen existing controls. The department's written response is included beginning on page 9.

I would like to thank the department director and his staff for their assistance and cooperation during our review.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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Appointed and Administrative Officials

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Peter Blouke, Director

Nancy Ellery, Administrator, Medicaid Services Division

Mary Dalton, Chief, Primary Care Bureau

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Transportation Services for Montana Medicaid Program

Introduction

We performed a limited scope review of the controls in place over transportation services provided through the Montana Medicaid program. The Medicaid program is administered by the Department of Public Health and Human Services (department).

Objectives

Our primary objective was to identify the controls in place to ensure payments for transportation services are necessary and reasonable. We conducted this review in cooperation with federal auditors who provided technical support to us under the Medicaid Partnership Plan. The Partnership Plan outlines suggested federal and state joint audits of the Medicaid program which have saved money in other states.

Scope

The scope of this review was limited to examining the department's controls over Medicaid transportation expenditures and the procedures used to verify requested services were reasonable and necessary for program recipients. We did not review all expenditures for transportation services, nor did we examine transactions to the extent necessary to identify all unnecessary costs or all methods used by the department to provide these services. Our review was conducted in accordance with applicable Government Audit Standards.

Background

The Medicaid program, administered under federal regulations, serves persons who qualify for financial and medical assistance. This program is administered by the Medicaid Services Bureau within the Department of Public Health and Human Services. The program mission is to ensure Montana's low-income residents have access to medical care at a cost which is equitable to both the provider of the service and the taxpayer.

Total Medicaid funding includes General Fund, state Special Revenue, and federal funds. State Special Revenue is property tax revenue from the 12 state-assumed counties, nursing home bed taxes, and donations. County funds supply part of the state match for Medicaid benefits. Total program expenditures for

transportation and per diem services for Medicaid recipients were approximately $2 million for each of the past two years. This does not include program administration costs.

Montana Transportation Program

The Montana Medicaid program pays for transportation to and from necessary medical services for eligible persons. Allowed transportation services include travel, such as a wheelchair van, ambulance, commercial taxi service, commercial bus, commercial or private air, and personal car mileage. Travel is limited to the nearest provider and the least costly means available suitable to patient medical needs. In addition to transportation services the program pays per diem costs for meals and lodging. Prior authorization from the department is required for reimbursement for non-emergency transportation services. Reimbursement is made to a third party chosen by the recipient. Emergency services are reviewed retroactively prior to claim payment.

The department will pay the lowest of the following rates for transportation services:

-- the provider's actual submitted charge; or,
-- the department's fees as detailed in the ARMs.

The rates prescribed in the ARMs establish maximum fees for commercial transportation including taxi and limousine services less than 16 miles, rates for trips over 16 miles, and a per mile allowance for personal car mileage. Allowed per diem rates are also outlined in the ARMs and include:

Breakfast	$ 2.75
Lunch	3.30
Dinner	6.60

The maximum allowed per diem amount is $22.44. This includes per diem and lodging allowances.

Program Administration

In September 1994, the department contracted with a private company to develop and operate a Medicaid transportation management system. Assigned responsibilities included coordinating and prior-authorizing all modes of non-emergency medical travel. A toll free hotline is available 24 hours a day to obtain authorization for services. Retroactive reviews of all emergency transport services prior to payment are also prescribed contract duties. Stated department goals for implementing this contract included improving access to medical care, standardizing statewide policies and procedures, identifying areas of abuse by clients and providers, and ensuring federal and state compliance. The duration of the contract is September 1, 1994 through August 31, 1996, with an option to extend up to an additional two year period if contract requirements are met.

Annual contract costs are currently $344,346. Costs are based on the number of eligible Medicaid recipients in the previous month. Average contract costs are approximately $.31 per eligible recipient per month.

Controls Currently in Place

To ensure approved services are reasonable and necessary, the department and the contractor have developed several control methods. The contractor verifies a number of travel requests by checking with the designated health care providers and in some cases follow-up calls are placed to ensure appointments are actually attended. In addition, the contractor has formalized mileage between Montana towns and cities to standardize payment amounts. The department has also established ceilings for payment to commercial vendors to prevent inconsistencies. Reconciliation of payments made through the counties are also conducted within the Fiscal Bureau at the department.

Medically necessary services are defined in ARM, Title 46, chapter 12, subchapters 5,7,8, 9, and 20. In addition, the contractor has a physician review all emergency ambulance claims to determine if the service is medically necessary and reasonable.

Program Trends

To evaluate contract effectiveness and determine program trends, the department compiled program data on Medicaid transportation services for the past two and half fiscal years. In this analysis, it was noted transportation claims appear to be cyclical in nature, with low utilization in the first quarter each year and highest utilization in the second quarter.

Expenditures are highest for personal mileage reimbursement, which is the least expensive form of transportation. Ambulance expenditures are the next highest expenditure category, but expenses have declined since the implementation of the contract. The contractor focused on ambulance utilization to determine if a medical need existed to utilize this type of transportation.

Commercial carriers, such as taxi, bus, rail, and air showed a significant increase in the second quarter of fiscal year 1995 leveling off in the rest of the year. The department placed a payment rate ceiling on commercial taxi rates in the third quarter of 1995 due to dramatic increases in that area. This resulted in slight decreases in that category in later periods. Overall, growth is fairly flat in comparison with other Medicaid services.

Are Controls Effective?

As noted earlier, a system of controls is in place to increase assurance transportation expenditures are reasonable and necessary. These controls include verification of appointments, prior authorization of services, formalized payment ceilings to reduce over charges, etc. Based on this audit testing, we concluded controls in place appear effective but several improvements were identified which could further strengthen the control system.

Contract Requirements

Although both the contractor and department staff indicated a sample of appointments are verified prior to payment for transportation services, the written contract does not include this requirement. The percentage of claims to be verified is not specified and differences were noted in the number indicated by the department and by contract staff. Department staff indicated 25 percent of the appointments are being verified, contractor staff

indicated 10 to 15 percent of the appointments are verified. The department should specify in the contract the verification rate to ensure the level of program monitoring is adequate.

County Involvement

One of the primary goals of contracting with a private entity for administering this program was to minimize county staff involvement. Prior to the contract, county staff reported they were spending approximately 960 hours per month to administer transportation services. In order to develop statewide consistency and devote county resources in other critical areas, the department shifted duties to the contractor. The contract has not been entirely successful in achieving this goal. Interviews with contractor and department staff have indicated county staff still spend considerable time administering these services and each county still follows differing criteria. For example, one county will only pay an amount equal to a bus ticket, but other counties will approve any expenditure. This creates inconsistencies and conflicts with the program mission of ensuring access to all Medicaid participants eligible for necessary services.

Federal Reimbursement Rates

Medicaid transportation services are funded through a combination of state and federal funds. The level of federal funds contributed to the state is determined by whether an expenditure is a medical expense or an administrative cost. Seventy percent of medical expenses are reimbursed through federal funding, while only 50 percent of administrative expenses are reimbursed. To ensure a higher federal reimbursement rate by the state, reimbursement checks have primarily been written to a third party. In some cases this results in a check sent to a person who has not transported the recipient. Checks issued to third party vendors result in a 70 percent federal reimbursement rate because the payment is then classified as an expense for program benefits. Checks issued directly to recipients would be considered an administrative expense and are reimbursed at a 50 percent rate. Although current department procedures ultimately require less state funding, the current procedure results in program noncompliance with federal statute 42 CFR 440.170(a).

Summary

To strengthen controls over this program the department should take steps to address these areas. Recently steps to address these areas have been taken by the Medicaid Transportation Committee. This committee, comprised of department and county staff, has made recommendations in several areas to improve controls and address program inefficiencies. Recommendations have been made to address county involvement and federal reimbursement noncompliance.

Recommendation #1

We recommend the department strengthen controls by:

A. Clarifying program monitoring contract requirements.

B. Clearly delineating county program involvement.

C. Developing a method of recipient reimbursement in compliance with all statutes and regulations.

Agency Response

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES
HEALTH POLICY & SERVICES DIVISION

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August 21, 1996

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Jim Pellegrini, Deputy Legislative Auditor
Legislative Audit Division
Room 135, State Capitol Building
Helena, MT 59601

Subject: Medicaid Transportation Services and Delivery System for Drugs

Dear Mr. Pellegrini:

Enclosed are the Department's responses to the recommendations pertaining to the Medicaid delivery system for drugs and Medicaid transportation services..

The Department concurs with the recommendations. The report and recommendations support the Department's efforts in efficiently managing these programs.

Thank you for your review.

Sincerely,

Michael S. Billings for

Peter Blouke, Ph.D.
Director

Enclosures

cc Nancy Ellery

PHONE: (406) 444-4540 FAX: (406) 444-1861

MEDICAID TRANSPORTATION SERVICES

RECOMMENDATION #1A

Agency Response:

The department concurs that the contract requirements should specify the percentage of appointments verified. During the course of this audit, the department issued a new request for proposals (RFP). The contract requirement to specify the percentage of appointments verified was placed in the new RFP on Page 16 (#26 attached). This requirement is one of many that will be made to strengthen the controls in place for the successful bidder. The requirement specified in the RFP is that all appointments be confirmed. Review of the proposals may indicate that this high of a percentage is not cost effective. If the percentage is negotiated at a lower amount, the contract will indicate the modification to insure that the requirement is clear.

RECOMMENDATION #1B

Agency Response:

The department will take steps to insure that the roles of the county and the contractor are delineated and that inconsistencies and conflicts are minimized. While this contract has not been entirely successful in achieving this goal, the department believes that this contract has given us a foundation to build upon to insure that Medicaid clients are not limited access to medical appointments because of transportation and that the transportation program as a whole is efficient and effective.

RECOMMENDATION #1C

Agency Response:

The department concurs with this recommendation. Steps will be taken to ensure that the payments for personal vehicle mileage and per diem are being made within federal guidelines. The department will review this policy with the Health Care Financing Administration and if it is determined to be out of compliance with federal regulations, the department will make changes to ensure compliance. The department will continue to maximize the use of federal funding.

requested to submit a narrative on how it proposes to conduct this service, and include a separate cost breakout.

This service is an optional add-on, which the State of Montana may choose to contract if budget constraints allow and a suitable response on how the service will be conducted is received. Respondents proposing subcontracting of this service must identify the entity it intends to utilize.

The State of Montana reserves the right to contract this service separately from the balance of the contract requirements set forth herein. Reference Section 601.1, Part 4.

24. When an error or necessity to change an unpaid travel authorization occurs, the contractor must correct it and notify the recipient and/or provider within twenty-four (24) hours. If such volume or circumstances exists that this can not be accomplished within twenty-four (24) hours, contact the Department liaison and explain the circumstances and plan of corrective action.

25. All complaints and corrective actions to such complaints are to be recorded and all recordings maintained by the contractor. Develop internal controls which allow the Contractor to identify the origin of errors, corrective measure applied and ensure there are no repeat occurrences.

    This information is to be available at all times to the Department liaison.

26. Confirm medical appointments were made and kept for each request for assistance with travel.

    Verify via the medical provider that appointments were kept for 100 % of the cases. This is a likely task for AWEP personnel. Refer to #13 above.

    In the case of multiple medical appointments in one travel authorization, a name will appear on more than one log and should be checked periodically or at the end of the authorization period.

27. When a decision made by the contractor is in dispute, the contractor will attempt to resolve the issue with the recipient and/or provider.

    If the issue is not resolved and the Department must be involved, the contractor must provide the Department liaison with copies of all documents pertaining to the case. This includes a copy of all notices sent to the provider and/or recipient which explains